

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55308; File No. SR-CHX-2006-38)

February 15, 2007

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Extend the Late Trading Session and to Permit Only the Execution of Cross Orders During that Session

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 22, 2006, the Chicago Stock Exchange, Inc. (the “CHX” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CHX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its rules (i) to extend its late trading session until 4:00 p.m. and (ii) to provide that only cross orders may be executed during that session. The text of this proposed rule change is available on the Exchange’s Web site at http://www.chx.com/rules/proposed_rules.htm, at the Exchange’s principal office, and in the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV

¹ 15 U.S.C. 78s(b)(1)

² 17 CFR 240.19b-4.

below. The CHX has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

In the Exchange's new trading model, the Exchange conducts two trading sessions. The first session – called the regular trading session – is held from 8:30 a.m. (Central Time) to 3 p.m. (Central Time).³ The second trading session – called the late trading session – is held from the end of the regular session until 3:30 p.m. (Central Time). The Exchange's Matching System begins accepting orders for the late trading session immediately after the closing of the regular trading session in a security.⁴

Through this proposal, the Exchange seeks to extend its late trading session by one-half hour, to 4:00 p.m. (Central Time), and to confirm that only cross orders may be executed during the late trading session. The slightly longer trading session is designed to allow CHX participants to trade for a full hour after the normal close of the regular trading session. The cross-orders-only rule simply confirms that CHX participants may only submit cross orders for execution during the late trading session.⁵ The Exchange believes that it is appropriate to limit

³ The regular trading session for certain ETFs extends to 3:15 p.m. (Central Time).

⁴ See CHX Rules, Article 20, Rule 8(c)(3). All orders remaining in the Matching System at the end of the regular trading session are cancelled back to the firms that submitted them; firms must submit new orders if they seek to trade in the late trading session.

⁵ In connection with this change to allow only cross orders to be executed during the late trading session, the Exchange is proposing a change in its definition of "NBBO" to confirm that it applies only to protected quotes disseminated during regular trading hours. Without this change, a cross order in the late trading session technically would be required to be submitted at a price that is at or better than the NBBO during the late trading session (if markets are disseminating protected quotes), even though the trade-through provisions of Rule 611 of Regulation NMS do not apply during that session. See

